

MINUTES  
OF THE  
INVESTMENT POLICY COMMITTEE  
HELD  
THURSDAY, SEPTEMBER 27, 2012 – 4:30 P.M.

Present: Committee Members

Roderick Bashir  
Devon Bruce  
Michele Bush  
John Casey

Board Members

Steven Powell

Staff

Andrew Armonaitis  
William Atwood  
Johara El-Harazin  
Adanna Ene  
Tim Kominiarek  
Scott Richards  
Linsey Schoemehl  
Lorna Scott  
Katherine Spinato  
Alise White, via telephone

Guests

Marquette Associates  
Brian Wrubel, Nichole Roman-Bhatty,  
Elizabeth Francis, Dave Smith, Eric Przybylinski  
Franklin Park  
Brad Atkins  
Office of the Comptroller  
Alexis Sturm  
SEIU  
Edgar Hernandez  
Loop Capital  
Jason Park  
Podesta & Co.  
Sharon Piett

Absent: Committee Member

Thomas Hoffman

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## ***ROLL CALL***

The meeting was called the meeting to order at 4:30 p.m. The Secretary called the roll and noted that a quorum was present.

## ***MINUTES OF PREVIOUS MEETING***

Mr. Bashir moved to approve the minutes of the Investment Policy Committee meeting held June 14, 2012, in the form previously submitted. Ms. Bush seconded and the motion passed unanimously.

## ***PROPOSED REVISIONS TO INVESTMENT GUIDELINES FOR HEDGE EQUITY FUNDS***

Chairman Bruce stated that the Committee would go into Executive Session to discuss specific investment manager contracts (5 ILCS 120/2(c)(7)). Mr. Bashir moved to go into Executive Session for the above-stated purpose. Ms. Bush seconded and the motion passed unanimously.

Guests and Staff were excused from the meeting with the exception of Director Atwood and Mr. Richards.

Ms. Bush moved to return to the Open Session. Mr. Bashir seconded and the motion passed unanimously. Ms. Bush moved to recommend action discussed in Executive Session to the Board at the Friday meeting. Mr. Bashir seconded and the motion passed unanimously.

## ***PRESENTATIONS***

### **Bank Loan**

Director Atwood stated that an RFP had been conducted since the existing manager, McDonnell, had been acquired by THL Credit. Mr. Wrubel distributed a memorandum "Senior Secured Loan Search" dated September 12, 2012 and reviewed the search process. (Official minutes contain attachment.) Following the review, representatives of THL Credit were invited to join the meeting.

*THL Credit* – Messrs. Good and Fellows joined the meeting and distributed copies of a written presentation. Following the presentation and answering questions posed by Committee Members, Chairman Bruce thanked the THL Credit representatives for the informative presentation. The THL Credit representatives thanked the Committee Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Discussion ensued, after which Mr. Bashir moved to recommend retaining THL Credit, as recommended by Staff and Consultant. Mr. Casey seconded and the motion passed unanimously.

#### Private Equity

Mr. Atkins of Franklin Park reviewed the report previously distributed "Recommendation Report Clearlake Capital III, L.P." (Official minutes contain attachment.) Following the review, a representative of Clearlake was invited to join the meeting.

*Clearlake Capital* – Mr. Jose Feliciano joined the meeting and distributed copies of a written presentation. Following the presentation and answering questions posed by Committee Members, Chairman Bruce thanked the Mr. Feliciano for the informative presentation. The Clearlake representative thanked the Committee Members for their time and excused himself from the meeting. (Official minutes contain attachment.)

Discussion ensued, after which Ms. Bush moved to recommend to the Board a commitment of \$20 million to the Clearlake Capital III, L.P., as recommended by Staff and Consultant. Mr. Casey seconded and the motion passed unanimously.

#### Deferred Compensation

Director Atwood stated that an RFP had been conducted for three index funds options to the State Employees' Deferred Compensation Plan and referred to Ms. Roman-Bhatty to review the process. (Official minutes contain attachment.) Following the review, Ms. Roman-Bhatty stated that Northern Trust Global Advisors and Mellon Capital would be making presentations.

*Mellon Capital* – Messrs. Huberts and Lindsey joined the meeting and distributed copies of a written presentation. Following the presentation and answering questions posed by Committee Members, Chairman Bruce thanked the Mellon representatives for the informative presentation. The Mellon representatives thanked the Committee Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

*Northern Trust Global Advisors* – Mr. Brent Reeder, Mss. Hest and Thompson joined the meeting and distributed copies of a written presentation. Following the presentation and answering questions posed by Committee Members, Chairman Bruce thanked the Northern representatives for the informative presentation. The Northern representatives thanked the Committee Members for their time and excused themselves from the meeting. (Official minutes contain attachment.)

Following detailed discussion, Mr. Casey moved to recommend to the Board adding the Northern Trust Collective ACWI ex US Index Fund, the Northern Trust Collective S&P 400 Index Fund and the Northern Trust Collective Russell 2000 Index Fund to the State of Illinois Employees' Deferred Compensation investment options. Mr. Bashir seconded and the motion passed unanimously.

**UNFINISHED BUSINESS**

None.

**NEW BUSINESS**

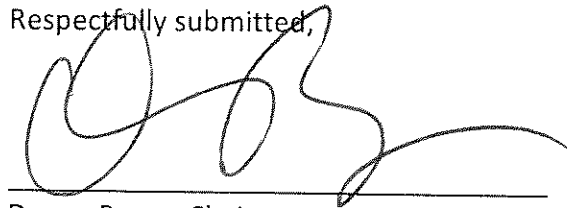
Chairman Bruce stated that since the hedge fund analysis was completed, Portfolio Yield would be researched and presented by Staff and Consultant at the December meeting.

**NEXT MEETING AND ADJOURNMENT**

Chairman Bruce stated that the next meetings of the Investment Policy Committee would be scheduled on Thursday, December 13, 2012, the afternoon preceding the Board meeting and notices would be sent.

At 6:20 p.m., there being no further business to come before the Committee, Mr. Casey moved to adjourn. Ms. Bush seconded and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Devon Bruce', written over a horizontal line.

Devon Bruce, Chairman  
Investment Policy Committee

A handwritten signature in dark ink, appearing to read 'Roderick A. Bashir', written over a horizontal line.

Roderick Bashir, Vice Chairman  
Illinois State Board of Investment